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UNCLAS SECTION 01 OF 02 RIYADH 000976

SIPDIS

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TREASURY FOR A/S O'BRIEN AND DANIEL HARRIS

E.O. 12958: N/A

TAGS: ECON EFIN ETTC KTFN PTER SA

SUBJECT: TREASURY A/S PATRICK O'BRIEN MEETS WITH SAUDI CUSTOMS DIRECTOR SALEH AL-KHILWEY

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SUMMARY  
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**¶1.** (U) On April 23, the newly-appointed Saudi Customs Director General Saleh bin Manea Al-Khilwey told Treasury Assistant Secretary for Terrorist Financing and Financial Crimes Patrick O'Brien that the implementation of new cash declaration procedures is imminent. The SAG has relayed the same message on numerous occasions in the past. Department of Homeland Security Attach Chabot also offered to arrange training with Saudi and U.S. Customs officials. End summary.

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NEW CASH DECLARATION PROCEDURES: OVERVIEW  
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**¶2.** (U) A/S O'Brien opened the meeting asking about the status of the program. Mr. Al-Khilwey, who was appointed in March, stated that the SAG is "about to implement" the new procedures, and reviewed the program. (Note: The SAG has relayed the same message on numerous occasions in the past, including with Treasury U/S Levy in March 2007. End note.) He stated the new regulations outline the rights and responsibilities of both the traveler and the Customs official. According to the proposed regulations, travelers must declare quantities of cash and precious metals greater than or equal to SR60,000 to the Customs department at points of entry or exit. Mr. Al-Khilwey emphasized that the new regulations do not prohibit travelers from carrying cash into or out of the country, but only require that amounts over SR60,000 be declared. Financial institutions that work as cash couriers must provide their licensing papers to the Saudi Arabian Financial Intelligence Unit (SA FIU) ahead of time. The new regulations will apply at all land, air, and sea ports. To inform the public of the new procedures, Customs will place large signs at the ports. Mr. Al-Khilwey provided A/S O'Brien with copies of the new Customs declaration form.

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INVESTIGATION PROCEDURES  
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**¶3.** (U) Mr. Al-Khilwey then went on to describe the investigation process. The Customs Department and the Ministry of Interior share responsibility for customs investigation procedures. If a Customs official discovers suspicious activity and a failure to declare cash or precious metals totaling SR60,000 or greater at the port of entry or exit, Customs will confiscate the commodity and hold it while an investigation is conducted. Customs then refers the case

to the Ministry of Interior's Board of Prosecution and Investigation.

--If the investigation finds that the failure to declare was because the commodity came from or was intended for an illicit source, the case goes to the Ministry of Interior court system. If the suspect is found guilty, then the cash or metals are deposited with the Ministry of Finance. If the suspect is found innocent, then the commodities are returned to him.

--If the investigation finds that the failure to declare was to evade paying Customs duties, then the case goes through the Customs "mini-court" system. This court system applies to the failure to declare precious metals only, and does not include cash, since there is no duty to be paid for carrying cash. When A/S O'Brien asked about penalties for failing to declare cash over SR60,000, Mr. Al-Khilwey referred him to the courts.

--Mr. Al-Khilwey also noted that, in the initial implementation phase, if a traveler fails to declare cash, but the Customs official believes that the failure to declare was an innocent mistake, the official will allow the traveler to complete the form a second time with no penalty.

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TIMELINE FOR IMPLEMENTATION  
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¶4. (U) A/S O'Brien asked about the timeline for implementation of the new cash declaration procedures. Mr. Al-Khilwey explained that implementation is taking time because of the SAG interagency process. He said the Customs

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Department is currently in the implementation phase. At present, computer software is being installed at the ports, signs informing travelers of the new procedures are ready, and training for Customs officials would occur "next week." Once these steps are completed, he said, the SAG will be ready to implement the new procedures.

¶5. (U) Mr. Al-Khilwey then offered information about the new computer system being installed to help implement the procedures. Once the Customs official collects the new declaration form, the official will enter the data into the computer system in both Arabic and English. Data fields include information such as place of departure and arrival; nationality, passport number, and date of birth of the traveler; traveler's address in Saudi Arabia; and purpose of travel. The computer system is set according to the regulations and will not allow input of values for cash or precious metals totaling under SR60,000. The system also provides statistical reporting, and officials can see breakdowns according to travel destinations, country of origin, person, and commodity. The network includes 32 computers linked at Customs headquarters and all ports. The system is instantaneous and Customs officials can provide reports at the request of the Ministry of Interior.

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U.S. OFFERS TRAINING  
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¶6. (SBU) DHS Attach Chabot commented that the U.S. could offer assistance in training Customs officials. A/S O'Brien spoke of a recent DHS/ICE cash smuggling training conducted in the Philippines that was largely successful and could be adapted for the KSA. Mr. Al-Khilwey replied that he welcomes any cooperation from the U.S., but that at this time the focus of training should be on how to implement the new program, which is taking place in-house. The Customs department is providing a three-day training course on the new system, with one day each on how to recognize suspicious activity, how to use the guide for implementation, and how to

enter information into the database. He said that once this training is complete, the SAG should be able to implement the new procedures within a few weeks.

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COMMENT  
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¶7. (U) The major gap in the proposed declaration procedure is the lack of punishment or deterrent within the Customs court system for failure to declare cash. At the conclusion of the meeting, A/S O'Brien emphasized the importance of implementing smooth and prompt procedures for confiscating undeclared cash, so that travelers will face real consequences for failing to meet the requirement to declare.

¶8. (U) A/S O'Brien has cleared this cable.  
FRAKER